

INTENDED USE PLAN

**DRINKING WATER STATE REVOLVING FUND
AND
STATE-FUNDED DRINKING WATER FINANCIAL
ASSISTANCE PROGRAMS
FOR
STATE FISCAL YEAR 2006
(JULY 1, 2005 to JUNE 30, 2006)**

Approved by the Safe Drinking Water Commission
April 28, 2005

Missouri Department of Natural Resources
Water Protection Program
P.O. Box 176
Jefferson City, MO 65102-0176

MEMORANDUM

DATE:

TO: All Interested Persons

FROM: Edward Galbraith, Director
Water Protection Program

SUBJECT: Approved State Fiscal Year (SFY) 2006 Intended Use Plan (IUP) for the Drinking Water State Revolving Fund (DWSRF)

Each year, the Missouri Department of Natural Resources prepares a plan describing how it intends to use federal and state funds for DWSRF. The Department uses most of this money to make low interest loans to drinking water systems. These loans help systems improve infrastructure, comply with the Safe Drinking Water Act (SDWA), and protect public health. The department uses a smaller amount for program administration and technical assistance.

This plan is associated with the federal capitalization grant for federal fiscal year 2005. The state anticipates it will receive a grant of \$12,041,300. Of the total, \$8,910,562 will be used for loans to drinking water systems and \$3,130,738 will be used for other authorized set-aside activities. This year the DWSRF interest subsidy is 70 percent. Communities can lower their total debt repayment significantly. The plan includes a list of all applicants and a detailed description of the other activities that the department intends to fund.

This plan also describes some of the intended use of state funds for loan programs. The plan discusses the State Small Borrower loan program.

If you have any questions regarding this plan, please contact Stephen Jones, P.E., of my staff at (573) 522-1803 or email stephen.jones@dnr.mo.gov.

EG:sj:dmg

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I. INTRODUCTION

The department is the responsible state agency for the implementation of both the Missouri DWSRF Program and the Drinking Water Direct Loan and Small Borrower Program. This Drinking Water IUP describes the proposed use of funds for each program for the Missouri SFY 2006 (July 1, 2005 to June 30, 2006).

II. GOALS

The department will use the available funds under these programs to achieve the following short and long-term goals.

A. Short-Term Goals

- Address acute health risks as a priority.
- Achieve and facilitate statewide compliance with the SDWA.
- Coordinate loan activities with enforcement activities.
- Provide privately- and publicly-owned water systems with low cost financial assistance to complete eligible projects.
- Market the program.
- Provide small public water systems (serving fewer than 10,000 people) with financial assistance for eligible projects using at least 35 percent of the loan fund.
- Provide funding for preventive measures, such as replacement of aging infrastructure.
- Develop a disadvantage community loan program for the Federal Fiscal Year (FFY) 2007 Capitalization Grant.

B. Long-Term Goals

- Support the department's goal of ensuring that all Missouri citizens will have water that is always safe to drink.
- Develop and manage a self-sustaining program to facilitate compliance with the SDWA by all public drinking water systems.
- Protect public health and prevent waterborne diseases.
- Promote the completion of cost-effective projects.
- Maintain the program for loans in perpetuity.

III. ALLOCATION OF DRINKING WATER CAPITALIZATION GRANT

This summary of financial status anticipates the award of a federal capitalization grant from the U.S. Environmental Protection Agency (EPA) for Missouri's DWSRF program associated with FFY 2004 before this IUP becomes effective. The department also anticipates the award of the FFY 2005 federal capitalization grant by June 30, 2006. The amount of each the FFY 2004 and FFY 2005 grant for Missouri is expected to be \$12,041,300. The department will reserve 74 percent (\$8,910,562) of the FFY 2005 capitalization grant for DWSRF loans to eligible public water systems.

The remaining 26 percent (\$3,130,738) will be reserved in a separate account for authorized set-aside activities as described in this plan.

IV. DWSRF LOAN PROGRAM

A. Terms of Financial Assistance

The Department's DWSRF will continue to operate as a leveraged loan program. The department issues leveraged loans twice a year, once in the fall and once in the spring. In a leveraged loan program, the EPA capitalization grant is not loaned to public water supply systems. Instead, the portion of the capitalization grant designated for loans is deposited in a reserve account, and pledged as security for repayment of issued leveraged bonds. Various program funds are invested with the earnings providing the interest subsidy. This allows interest rates at less than the market rate. The department, with the assistance of the Missouri Environmental Improvement and Energy Resources Authority (EI ERA), examined several models for leveraging the EPA capitalization grant. The selected model assumed the revenue bond issue would receive an AAA rating, that loan recipients would pay interest equal to 30 percent of the market rate, and that the EPA capitalization grant would be placed in a reserve account equal to no less than 70 percent of the amount of revenue bonds sold. Section IX describes in more detail the method used for leveraging the EPA capitalization grant.

Maximum loan terms, interest rate subsidies, and other terms are the same for all participants. The maximum repayment term of each loan is 20 years. Participants will pay a 0.5 percent administrative fee. (The department accounts for this administrative fee separately in a non-project administration account). Privately-owned systems on the fundable list must secure an allocation under the state's private activity bond cap and obtain necessary approvals from the Missouri Public Service Commission.

To accelerate projects, applicants on the fundable list are eligible for interim direct loans. The direct loan will be paid in full upon origination of the leveraged loan.

B. Solicitation of DWSRF Loan Applications

The application process was open to all eligible systems (all community public water systems and not for profit noncommunity public water systems not owned by the federal government). Application forms have been available since September 2004. The department sent out public notice of the availability of DWSRF loan applications, and individual notifications were sent to all city water systems and water districts, as well as engineering firms, in Missouri in September 2004. An initial application submittal receipt date of November 15, 2004 was established. Applications received by the initial deadline that met "Readiness to Proceed" received priority for funding over those received after the deadline.

The department evaluated applicants to determine if they were capable of meeting the anticipated financial requirements of a leveraged loan.

Using the Priority Ranking Criteria and Readiness to Proceed Criteria approved by the Missouri Safe Drinking Water Commission (SDWC), the department evaluated each application to assign priority points to each applicant and determine if the applicant meets Readiness to Proceed criteria. The commission may use an uncommitted balance to modify the funding of a project or to fund a project on the contingency list based on project priority and Readiness to Proceed. It may also designate phased projects, which will receive 100 priority points in the next plan in addition to the regular priority. Phased projects that do not receive complete funding in the two-year eligibility period must submit a new application for the remainder of the project and re-compete. The department will review substitutions or changes in scope as a new application.

The commission authorizes the director of the department's Water Protection Program to make certain revisions to this plan. The director of the Water Protection program may adjust the amount of assistance to applicants that are on the fundable list. The adjustments are permissible when they:

- can be completely covered by uncommitted funds
- will not prevent funding projects that have completed all necessary steps to participate in the next closing
- will not prevent funding projects with greater priority
- are not more than 10 percent of the loan request

The next IUP will describe these adjustments. Other revisions to the plan require approval of the commission.

The commission may bypass projects on the fundable list that do not make satisfactory progress toward meeting requirements for assistance. Rules governing bypass procedures appear in 10 CSR 60-13.020(3)(A).

C. Assistance to Small Communities

Missouri law requires the commission to make at least 35 percent of the monies credited to the program available to systems that serve fewer than 10,000 people. Twenty percent is for systems serving 3,300 or fewer people, 15 percent is for systems serving from 3,301 to 9,999 people. This is greater than the minimum required under federal law.

To demonstrate this commitment, the fundable list has three parts, the Very Small Community 20 percent Reserve, Small Community 15 percent Reserve, and the General 65 percent Reserve. The General Reserve is not restricted to systems of a certain population.

D. Priority System

The department prioritized new projects using criteria approved by the SDWC on September 9, 2004, after a period of public review. A copy of these criteria is available from the department's Water Protection Program.

Projects carried over from the last plan retain the points they received under the criteria in effect at the time unless they reapplied for consideration under the latest criteria. The department assigns priority points based on the overall project.

E. Readiness to Proceed

In order to assure the best use of available DWSRF loan funds in a reasonably expeditious manner, the department will not commit available funds to a project until an applicant has demonstrated a "Readiness to Proceed". Readiness to Proceed is defined as the condition when any applicant that has submitted to the department a complete facility plan for approval and has established an acceptable debt instrument for their proposed project. Those projects that meet Readiness to Proceed will be placed on fundable list or fundable contingency list as described below. Projects that do not meet Readiness to Proceed will be placed on a planning list as described below. Fundable projects carried over from last year's drinking water IUP will be placed on the fundable list even if they do not meet Readiness to Proceed for this year only.

F. Ranking of DWSRF Projects

Projects that the department has committed to finance with available state revolving loan funds under this IUP are listed in Attachment A, "Missouri's Fundable Projects for DWSRF Loans for State Fiscal Year 2006". The department, after appropriate public notice and with the approval of the Missouri SDWC, may modify or change the fundable list in order to maximize the use of uncommitted available funds or to bypass projects that do not make satisfactory progress toward meeting requirements for assistance. Only those applicants on the fundable list will receive loans under this plan (except in the case of a bypass or amendment as described elsewhere in the plan). The criteria for each list are defined below.

1. Fundable List

All eligible carry-over applications from last year's Contingency list and new DWSRF applications received this year that meet the criteria for Readiness to Proceed will be placed on the appropriate fundable list in order of priority ranking. Carry-over projects will retain the points they received in the last year's IUP unless they reapplied for consideration under the latest criteria. The department will reserve the requested funding for these projects for the remainder of the project application period (unless by-passed for failure to progress).

2. Fundable Contingency List

These are eligible projects that meet Readiness to Proceed, but, due to priority ranking or timing, there is no funding available for the projects. Projects will be ranked on the list in accordance with their priority points. If uncommitted funds become available, the department, with SDWC approval, will move the highest-ranking project from this list to the fundable list.

3. Planning List

Eligible DWSRF applications that do not meet Readiness to Proceed, to make the fundable list will be ranked according to their priority points. Any application on this list that meets the Readiness to Proceed at least five working days prior to the next SDWC meeting, with the approval of the SDWC, will be moved to the fundable or fundable contingency list depending on availability of uncommitted funds and their priority points.

G. Bypass Procedures

The department may by-pass any project on the fundable list that does not make satisfactory progress toward meeting requirements. Procedures for bypassing projects are contained in 10 CSR 60-13.020(3)(A).

H. Assistance for Disaster Relief

The department may provide financial assistance to projects that address direct or indirect damage to a drinking water system in a declared disaster area. Funding is available under the DWSRF leveraged loan and Drinking Water State Direct Loan Program for disaster related projects. Assistance may include reducing the interest liability of the recipient. The department may also provide these projects with advance authority to construct in accordance with 10 CSR 60-13.030(4). These projects may be given preferential priority ranking when determining the use of uncommitted DWSRF leveraged loan funds and Drinking Water State Direct Loan funds.

I. Estimation of Available DWSRF Loan Funds

The department intends to leverage the project loan funds at an effective subsidy rate of 70 percent. As stated before, 74 percent (\$8,910,562) of the anticipated federal drinking water capitalization grant in FFY 2005 will be deposited in the Reserve Account and available to leverage future loans. Table 1 shows the total amount of the Project Loan Funds available for loans in this IUP.

Table 1: Estimated DWSRF Funds Available

	Estimated Sources of Funds:		
1.	CAP Grant Balances	\$ 39,244,666	
2.	State Match (Balance in Fund 0101 Appropriations 5731 & 6395)	\$ 300,000	
3.	Loan Repayment Fund (Balance in Fund 0602 - 03/31/05)	\$ 6,404,014	
4.	Reserve Receivable (Release on 07/01/05 to deposit into Fund 0602)	\$ 1,395,359	
5.	Reserve Receivable (Release on 01/01/06 to deposit into Fund 0602)	\$ 837,041	
6.	Tri-County Direct Loan Replayment (Principal and Interest 04/01/05 - 05/19/05)	\$ 9,882,970	
7.	Total Estimated Sources of Funds		\$ 58,064,049
	Estimated Fund Commitments:		
8.	Estimated Binding Loan Commitments (Reserve Payable)		\$ 30,007,472
9.	Estimated Amount of Funds Available for Reserve (line 7 minus line 8)		\$ 28,056,577
10.	Estimated Amount of Funds Available for Projects (line 9 divided by 70%)		\$ 40,080,824

V. DRINKING WATER SET-ASIDE ACTIVITIES

A. Distribution of Set-Aside Funds

The department will reserve 26 percent of the FFY 2005 capitalization grant for set-aside activities and will deposit those funds in a separate account for set-aside activities. Table 2 shows the proposed distribution of set-aside funds described in this IUP.

Table 2. Distribution of Set-Aside Funds

Set-Aside Activities	
Administration and Technical Assistance	\$ 481,652
Small System Technical Assistance	\$ 240,826
State Program Management	\$ 1,204,130
Local Assistance and Other State Programs	\$ 1,204,130
Total	\$ 3,130,738

The department will bank unused set-aside funds from the anticipated federal drinking water capitalization grant for future set-aside expenditures.

An administrative fee of up to one percent of the reserve balance may be collected each year to administer the program. The administrative fee will be 0.5 percent of the outstanding loan balance for this IUP. This fee will be accounted for separately from other funds.

B. Description of Set-Aside Activities

The SDWA allows states to set aside a portion of the federal funds it receives with approval from EPA. The department may move funds among set-aside activities or from the set-aside accounts to the project loan fund as allowed in the SDWA.

1. Loan Program Administration and Technical Assistance (four percent)

The department will use this set-aside for the cost of administering the loan program to pay salaries and associated expenses of new and existing program personnel devoting time to the administration of the fund. Activities include assistance to applicants and loan recipients, project review and approvals, assistance with the needs survey, project prioritization, loan issuance, payment and accounting activities, tracking repayments, and project inspections. In addition, the department will use the set-aside for equipment and training staff. If the department does not use the entire authorized amount (four percent of the grant), it will bank the balance to be used for the same activities in future years.

2. Small Systems Technical Assistance (two percent)

The department will use this two percent set-aside to help public water systems that serve a population of 3,300 or less. Assistance will include complying with crosscutting requirements of the program and state requirements, locating and obtaining sources of additional funding, complying with the SDWA, and developing technical, managerial, and financial capacity. If the department does not use the entire authorized amount, it will bank the balance and use it for the same activities in later years. The department will provide technical assistance using its staff and contract services.

3. State Program Management (also called Public Water Supply Supervision (PWSS) Management) (ten percent)

This ten percent set-aside requires a 1:1 match from the state. However, all match and over-match from the PWSS grant in FFY 1993 and over-match only for FFY 2002 are credited toward this match. By using these matches, Missouri is eligible to use the entire set-aside without additional match. If the department does not use the entire authorized amount, it will bank the balance and use it for the same activities in future years.

The department reserves this set-aside for activities authorized by the SDWA amendments of 1996 for the state's public water supply supervision program. The department carries out these activities that include permitting, enforcement, operator training and certification, emergency preparedness, information management systems, capacity development, source water protection, and consumer reporting. The department will carry out these activities using its own staff and through contract services.

4. Local Assistance and Other State Programs (Authorized by Section 1452 (k) of the SDWA) (ten percent)

The federal law allows states to use up to 15 percent of the capitalization grant for a variety of activities, including a separate source water protection loan program and capacity development. If the department does not use the entire authorized amount, it may bank the balance and use it for the same purposes in future years.

The activities authorized by federal law are:

- (1) Loans to community water systems and nonprofit noncommunity water systems to acquire land or conservation easements;
- (2) Loans to community water systems to implement local, voluntary source water protection measures in delineated source water protection areas or for development and implementation of partnership recommendations such as

source water quality assessment, contingency plans, and demonstration projects;

- (3) Assistance, including technical and financial assistance, to any public water system as part of a capacity development strategy, also called Technical, Managerial, and Financial (TMF) capacity;
- (4) Expenditures to delineate or assess source water protection areas (limited to the FFY 1996 and 1997 capitalization grants);
- (5) Expenditures to establish and implement wellhead protection programs under the state's approved wellhead protection program.

No more than ten percent of the set-aside can be used for any one of these five enumerated activities.

Source Water Protection Loans

The department may establish a program of loans to public drinking water systems for source water protection. This will involve the promulgation of rules to implement the program and an amendment of the IUP to commit available funds to projects. It will also require the creation of a fund to allow the financing and tracking of set-aside loan activity separate from the regular funds for project financing. Eligible activities include land acquisition or conservation easements and implementation of local, voluntary, incentive-based source water protection measures in delineated source water areas. None of the FFY 2005 Capitalization Grant will be set aside for source water protection loans. However, the department reserves the ability to amend the IUP for such purposes in the future if needed.

TMF Capacity and Wellhead Protection

The department will set aside ten percent for TMF capacity and wellhead protection activities.

Effective implementation of the TMF strategy is increasingly becoming a focus of the U.S. EPA and is also an important element in public health protection. Among the activities the department intends to finance with this set-aside are:

- training and assistance to enhance water system technical capacity and security through sanitary surveys, vulnerability assessments, self-assessments, and emergency response planning
- education and outreach on technical, managerial, and financial capacity through targeted newsletters, pamphlets, publications, and web sites
- engineering services grants to water systems serving less than 10,000 people for evaluation of treatment, distribution, and storage facilities
- other activities as appropriate to implement the TMF strategy

Wellhead Protection

The wellhead protection program is a pollution prevention and management program used to protect underground based sources of drinking water. The program must include delineation, contaminant source inventory, source management, susceptibility determination, public availability of results, and contingency planning. Missouri's wellhead protection program was approved in 1995. Biennial reporting to EPA is required, and the next report is due in 2005.

The department will enhance wellhead protection through various activities with this set-aside. The department intends to:

- expand the geographic information system database for subsurface modeling of geologic units for more refined susceptibility and sensitivity assessments of chemical and microbiological contamination
- develop models of well spacing and firm yield during extreme climatic conditions for use by water system owners and consultants
- assemble information from well drilling cuttings and pump tests, determining well casing integrity and the efficacy of grouting methods for protecting groundwater and extending well life
- provide outreach, training, and assistance on wellhead protection to water system owners, consultants, landowners and other stakeholders in wellhead protection areas
- update contaminant site inventories, include new public wells, incorporate expanded access and include new or emerging contaminants
- develop the biennial report on the wellhead protection program
- explore possible development of a program to plug abandoned drinking water wells

VI. CROSS-COLLATERALIZATION

The state implements cross-collateralization between this program and the Clean Water State Revolving Fund (CWSRF) as authorized by federal and state laws.

VII. DISADVANTAGED COMMUNITY ASSISTANCE

The department will establish a disadvantaged community program by July 1, 2006. During FY 2006, the department will research disadvantaged community programs that have been established in other states, hold public meetings with stakeholders to discuss criteria for the disadvantaged program, and develop proposed criteria to include in the SFY 2007 IUP. The department will report on its findings and progress in establishing the program to the SDWC at the commission's regular meetings throughout FY 2006.

A disadvantaged community program may include loan terms of up to 30 years, negative interest rates, and forgiveness of principle.

The IUP for SFY 2007 will include:

1. A definition of disadvantaged community
2. The total amount of the capitalization grant that may be used for providing additional subsidies to disadvantaged communities
3. To the maximum extent practicable, an identification of systems that will receive additional subsidies and the amount, and
4. A description of the affordability criteria that the department will use to determine the level of disadvantaged assistance

The department will coordinate the efforts of the drinking water disadvantaged community program with other state and federal programs, including state-funded grant and loan programs, to meet the needs of disadvantaged communities.

VIII. STATE FUNDED FINANCIAL ASSISTANCE PROGRAM

Missouri operates four state-funded grant and loan programs outside of the DWSRF. These programs are rural water grants, grants to Conservation Reserve Enhancement Program participants, small borrowers program, and direct loans. While operated separately, the state coordinates these programs with the state revolving fund (SRF), U.S. Department of Agriculture grants and loans, and Community Development block grants to make efficient use of funds.

Missouri finances these programs with state bonds. While the bond authorization is in place, the General Assembly allocates the amount available annually through appropriations. Depending on appropriations, about \$6.25 million has been available for these programs annually. There are currently no bond sales authorized for state-funded programs.

A. Rural Water Grants

This long-standing program makes grants available to small municipalities and water districts. The grant is limited to \$1,400 per connection, 50 percent of the total project cost, or \$500,000 which ever is less. Grant funding for this program is nearly depleted and new grant awards are not expected.

B. Grants to Conservation Reserve Enhancement Program Participants

This program makes grants to small municipalities and water districts to encourage source water protection. Recipients may use the grant to provide additional cash incentives to farmers to encourage participation in the Conservation Reserve Enhancement Program. This program is subject to the same limitations as the rural water grants.

C. Small Borrowers Program

This program makes low interest loans to municipalities and water districts that serve 1,000 or fewer people. Loans are limited to \$100,000 or less. The maximum loan term is 20 years. The interest subsidy is 70 percent, the same as the DWSRF leveraged loan program.

D. Direct Loans

This program makes low interest loans to municipalities and water districts. Generally, the department will direct applicants without the financial capacity to participate in leveraged loans to this program. The maximum loan term is 20-year term. The interest subsidy is the same as the DWSRF leveraged loan program.

E. Current Applications

Table 3 summarizes the current applications to these programs and the amount of assistance requested at the time this IUP was prepared.

Table 3. Small Borrower Projects

APPLICANT	PROJECT #	PRIORITY POINTS	LOAN REQUEST	AVAILABLE FUNDS
				\$392,500
Wyaconda	SBW-114-03	140	\$77,000	\$315,500
Neelyville	SBW-120-05	60	\$100,000	\$215,500
Linn #1	SBW-115-04	50	\$76,000	\$139,500
Laredo	SBW-113-03	35	\$51,500	\$88,000
Prairie Home	SBW-119-04	30	\$88,000	\$0

IX. CASHFLOW MODEL AND STATE MATCH NARRATIVE

The following describes how the department leverages funds through the use of bonds to generate an effective 70 percent subsidized interest rate for loans. This section also describes the method for providing the required state match. All of the following description refers to Flow Chart A on page 14. This method has been reviewed and approved by the U.S. EPA.

A. Construction Loan Fund

The loan recipient generates construction funds through the issuance of bonds. The bonds are purchased by the EI ERA and resold nationally (A). The net proceeds of the EI ERA bond issuance are placed with a trustee bank in a fund titled the "Construction Loan Fund" (B). As construction progresses, monies are released to the recipient from the Construction Loan Fund to pay contractors, suppliers, and consultants (C).

The recipient is obligated to pay back all funds received, plus any interest charges and fees that investment earnings do not cover.

B. Interest Subsidy

The Water and Wastewater Loan Revolving Fund (WWLRF) (D) is capitalized by grants from EPA (E). Portions of the monies are transferred to the Reserve Fund (G) for the DWSRF.

Each time construction funds are released from the Construction Loan Fund (B), funds equal to approximately 70 percent of the released amount are transferred from the WWLRF (D) to the Reserve Fund (G), which is held by the trustee bank (H). Investment earnings on the Reserve Fund (G) are used to pay a portion of the interest cost of the EIARA bonds, thus reducing the interest liability of the loan recipient. The reserve account restricts earnings to prevent arbitrage.

The Restricted Account (J) in the Debt Service Fund is used only if there is default. The Restricted Account is the holding account to which the Master Trustee deposits funds in order to meet payment obligations. Any interest earnings from deposits are transferred to the fund/account they originated from and not to the defaulting community.

C. State Match

Of the EIARA bonds sold to generate 100 percent of the project costs, an appropriate percentage is clearly identified as state match. The remaining amounts are referred to as leveraged bonds. After paying cost of issuance, the balance of the proceeds are deposited into the Construction Loan Fund (B). As Construction Loan Funds are utilized for project costs, federal grant funds (E) are drawn and paid into the Reserve Fund (G) to secure the leveraged (non-match) bonds in an amount equal to 70 percent of the par plus premium total. At the time of a debt service payment (I), all interest earnings are first used toward the match bond debt (F). Any remaining earnings are used to subsidize the participant's debt service payment. As debt service is paid, generally over 20 years, funds are released proportionally from the Reserve Fund (G) to the WWLRF (0602) as repayment of the loan.

D. Repayments

Loan repayments must begin within one year after the completion of the first construction contract. The payment schedules will generally consist of semi-annual interest payments, and annual principal payments (K). The trustee bank holds the payments in separate recipient accounts (K) outside the SRF. Interest earnings on these recipient accounts are credited to the debt service account (I) and used when the payment is made to the bondholders (F). When an interest payment is due to the bondholders, the trustee bank will make the payment by combining the recipient's construction loan earnings (B), if any, the interest on the reserve fund (G) and the interest payments by the recipient (K), and transferring them to EIARA's bondholders.

(F). The trustee bank (I) will make each principal payment (K) from funds paid by the recipient to the trustee. Principal payments will also trigger the transfer of a proportionate amount of the Reserve Fund (G) back to the proper subaccounts of the WWLRF (D). These revolving funds can then be used again to support new construction projects.

E. Administration Fee

The department will charge an administration fee that is calculated as .7143 percent (CWSRF and DWSRF) per annum on the balance in the Reserve Fund. The recipient will pay the administration fees to the Department (k).

F. Cross-Collateralization of Funds

In case of default, the first level of security is the Bond Reserve Fund (reserves of 70 percent for CWSRF and DWSRF). As a further credit enhancement, and to assure the best possible bond rating, the Leveraged Loan Program repayment stream can be captured prior to deposit into the subaccounts of WWLRF to remedy defaults of any recipient. The Departments of Veteran Affairs and Housing and Urban Development, and the Independent Agencies Appropriations Act, 1998 (Public Law 105-65) authorized limited cross-collateralization between DWSRF and the CWSRF. Cross-collateralization allows states to use CWSRF funds as security for bonds issued to finance DWSRF projects and vice versa. The cross-collateralization of the two funds may enhance the lending capacity of one or both SRFs. State statute 644.122 RSMO provides the state's legal authority to implement cross-collateralization.

When loan recipients make principal payments, the corresponding release of funds from each participant's reserve account will first pass through the Master Trustee to remedy any instance of default that may have occurred on any other SRF project. If no defaults have occurred, the released amount is deposited into the WWLRF (D-0602). If a default has occurred, and once it has been remedied by the above-described process, payments are made by the defaulting recipient to the fund that provided the default remedy, plus any interest and penalties that accrued to them.

Since only uncommitted repayment funds will be used to remedy defaults (if any) there will be no significant impacts on the short or long-term goals of the programs.

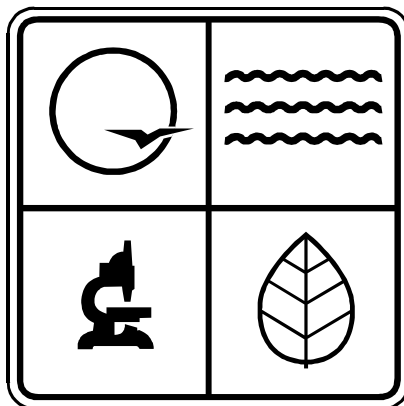
G. Direct Loans

Direct loans are financed with the WWLRF (D-0602). Direct loans do not have a reserve account. Repayments from a direct loan recipient, via the services of a trustee, are deposited into the WWLRF (D-0602).

Drinking Water
MISSOURI STATE REVOLVING FUND
DIRECT AND LEVERAGED LOAN FINANCINGS
Cross-Collateralized Leveraged Loans



Missouri's Fundable Projects for Drinking Water State Revolving Loans for State Fiscal Year 2006



Approved by the Safe Drinking Water Commission
April 28, 2005

**Prepared by the Missouri Department of Natural Resources,
Water Protection Program**

**COMPREHENSIVE LIST
PRIORITY POINT ORDER**

	PRIORITY POINTS	APPLICANT	SRF#	POPULATION	LOAN REQUEST
*	^	189 Tri-County Water Authority	DW291181-02	27,000	\$21,500,000
*	X	122 Rich Hill	DW291146	1,461	\$987,000
		122 Hayti	DW291185	3,207	\$1,000,000
*	X	117 Kirksville Phase I	DW291183	22,837	\$1,797,000
*	X	97 Stone Co. PWSD #2	DW291180	2,500	\$1,690,000
		94 Jackson	DW291192	11,947	\$12,233,000
		93 Holcomb	DW291186	840	\$727,000
		90 Adrian	DW291107	4,420	\$4,980,000
		89 Shelby County PWSD #1	DW291191	3,159	\$813,000
		83 Sikeston	DW291188	16,992	\$9,300,000
		79 Seneca	DW291157	2,135	\$1,985,000
*	X	75 Clarence Cannon Wholesale Water Commission	DW291137	42,000	\$12,473,000
*	X	68 Ironton	DW291145	1,539	\$1,455,000
		65 Lathrop	DW291195	3,200	\$5,600,000
		64 Clay County PWSD #3	DW291196	3,800	\$4,500,000
		63 Cape Girardeau County PWSD #4	DW291187	692	\$435,000
*	X	61 Russellville	DW291172	850	\$650,000
*	X	58 Washburn	DW291171	448	\$609,000
*	X	57 Franklin County PWSD #1	DW291084	3,200	\$1,507,000
*		57 Kirksville Phase II	DW291184	22,836	\$697,000
		45 Audrain County PWSD #2	DW291190	2,260	\$739,000
		44 Cole Camp	DW291199	1,033	\$1,815,000
*	X	42 Kahoka	DW291170	2,241	\$1,900,000
*	X	40 Pleasant Hill	DW291169	6,000	\$1,675,000
		38 Cameron	DW291193	13,033	\$13,109,000
*	X	35 Bates City	DW291149	245	\$794,484
*	X	25 Lake Lafayette	DW291132	348	\$500,000
		21 Lake Ozark	DW291194-01	1,489	\$1,326,000
		11 Lake Ozark	DW291194-02	1,489	\$2,390,000
		9 Walnut Grove	DW291197	630	\$792,000
				Total	\$109,978,484

* Carried over from last IUP

X Fundable in last IUP

List includes projects that will be funded before this list is effective

VERY SMALL COMMUNITY 20% RESERVE FUNDABLE LIST
(Systems that serve a population of 3,300 or less)

FUNDS AVAILABLE

Available from 20 % Reserve	\$13,131,365
Transfer from 15% Reserve	\$0
Transfer from General Reserve	(\$2,311,881)
TOTAL AVAILABLE FROM RESERVES	\$10,819,484

	PRIORITY POINTS	APPLICANT	SRF#	POPULATION	DESCRIPTION	PROBLEM CODES	NEEDS CATEGORY	LOAN REQUEST	BALANCE	Ready to proceed with construction
		TOTAL AVAILABLE							\$10,819,484	
* X	122	Rich Hill	DW291146	1,461	Dis, TP	1	II, IV	\$987,000	\$9,832,484	NO
* X	97	Stone County PWSD #2	DW291180	2,500	Dis, Stor, Well	2,3	I,II	\$1,690,000	\$8,142,484	NO
	93	Holcomb	DW291186	840	Stor, Well, Dis	3	I, III, IV	\$727,000	\$7,415,484	YES
* X	68	Ironton	DW291145	1,539	Source, TP	1	I, II	\$1,455,000	\$5,960,484	NO
* X	61	Russellville	DW291172	850	TP, Dis, Stor	3	II, III, IV	\$650,000	\$5,310,484	YES
* X	58	Washburn	DW291171	448	Dis, Stor, Source	3	III, IV	\$609,000	\$4,701,484	YES
* X	57	Franklin Co. PWSD #1	DW291084	3,200	Dis, Stor	2	III, IV	\$1,507,000	\$3,194,484	NO
* X	42	Kahoka	DW291170	2,241	Dis	3	IV	\$1,900,000	\$1,294,484	NO
* X	35	Bates City	DW291149	245	Dis, Stor	3	III,IV	\$794,484	\$500,000	NO
* X	25	Lake Lafayette	DW291149	348	Dis	3	IV	\$500,000	\$0	NO
							Total	\$10,819,484		

* Carried over from last IUP

X Fundable in last IUP

^ Phased project

Abbreviations

TP Treatment

Stor Storage

Dis Distribution

Inter Interconnection

Problem Codes

1 Compliance

2 Public Health

3 Other

Need Category Codes

I Source

II Treatment

III Storage

IV Transmission/Distribution

V Other (labs, upgrades, automation, etc.)

SMALL COMMUNITY 15% RESERVE FUNDABLE LIST
(Systems that serve a population of 3,301 to 9,999)

FUNDS AVAILABLE

Available from 15 % Reserve \$10,303,024
Transfer from 20% Reserve \$0
Transfer from General Reserve (\$8,628,024)

TOTAL AVAILABLE FROM RESERVES \$1,675,000

		PRIORITY POINTS	APPLICANT	SRF#	POPULATION	DESCRIPTION	PROBLEM CODES	NEEDS CATEGORY	LOAN REQUEST	BALANCE	Readiness to Proceed with construction
			TOTAL AVAILABLE							\$1,675,000	
*	X	40	Pleasant Hill	DW291169	6,000	Dis	3	IV	\$1,675,000	\$0	NO
								Total	\$1,675,000		

* Carried over from last IUP

X Fundable in last IUP

^ Phased project

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GENERAL 65% RESERVE FUNDABLE LIST

FUNDS AVAILABLE

Available from 65% Reserve \$16,052,535
Transfer from 20% Reserve \$2,311,881
Transfer from 15% Reserve \$8,628,024

TOTAL AVAILABLE FROM RESERVES \$26,992,440

		PRIORITY POINTS	APPLICANT	SRF#	POPULATION	DESCRIPTION	PROBLEM CODES	NEEDS CATEGORY	LOAN REQUEST	BALANCE	Readiness to proceed with construction
			TOTAL AVAILABLE							\$26,992,440	
*	X	117	Kirksville	DW291183-01	22,836	Dis, TP	1,2	I,II	\$1,797,000	\$25,195,440	YES
*	X	75	Clarence Cannon WWC	DW291137	42,000	Dis, TP	1	II,IV	\$12,473,000	\$12,722,440	YES
*	^	189	Tri-County Water Authority	DW291181-02	27,000	TP, Stor, Inter	3	I,II,III,IV	\$21,500,000	(\$8,777,560)	yes*** insufficient funds
								Total	\$35,770,000		

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X Fundable in last IUP

^ Phased project

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***Tri-County WA was partially funded spring 2005 by \$23,500,000

General Contingency List

	Priority points	Applicant	SRF#	Population	Description	Problem Codes	Needs Category	Loan request	Balance Forward	Readiness to Proceed
									\$0	
*	^	189	Tri-County	DW291181-03	27,000	TP, Stor, Inter	3	I,II,III,IV	\$9,520,560	YES
		110	Adrian	DW291107	4,420	Source, TP, Dis	1, 2	I, II, IV	\$2,821,000	YES
			Total					\$12,341,560		

General Planning List

	Priority points	Applicant	SRF#	Population	Description	Problem Codes	Needs Category	Loan request	Balance Forward	Readiness to Proceed
		122	Hayti	DW291185	3,207	Inter, TP, Dis, Well	1, 2, 3	I,II,IV	\$1,000,000	NO
		94	Jackson	DW291192	11,947	Well, TP	1, 3	I,II,V	\$12,233,000	NO
		89	Shelby County PWSD #1	DW291191	3,159	Dis, Stor	1, 2, 3	III,IV,V	\$813,000	NO
		83	Sikeston	DW291188-01	16,992	TP, Stor, Dis, Inter	3	II,III,IV,	\$9,300,000	NO
		79	Seneca	DW291157	2,135	Stor, Dis, TP	1, 2, 3	II,III,IV,	\$1,985,000	NO
		65	Lathrop	DW291195	3,200	Dis	3	IV	\$5,600,000	NO
		64	Clay County PWSD #3	DW291196	3,800	Dis	3	IV	\$4,500,000	NO
		63	Cape Girardeau County PWSD #4	DW291187	692	TP, Stor, Dis, Well	2	I,II,III,IV	\$435,000	NO
*		57	Kirksville Phase II	DW291184	22,836	Dis, TP	1, 2	II,IV	\$697,000	NO
		45	Audrain County PWSD #2	DW291190	2,260	Dis	1, 2, 3	IV	\$739,000	NO
		44	Cole Camp	DW291199	1,033	Dis, Stor, Well	3	I,III,IV	\$1,815,000	NO
		38	Cameron	DW291193	8,312	Dis	3	IV	\$13,109,000	NO
		21	Lake Ozark	DW291194-01	1,489	Dis	3	IV	\$1,326,000	NO
		11	Lake Ozark	DW291194-02	1,489	Refinance		V	\$2,390,000	NO
		9	Walnut Grove	DW291197	630	Dis, Stor	3	III,IV	\$792,000	NO
			Total					\$56,734,000		

* Carried over from last IUP

X Fundable in last IUP

^ Phased project

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LOAN APPLICANTS UNABLE TO MEET THE ELIGIBILITY REQUIREMENTS	
APPLICANT	REASON IT IS NOT ELIGIBLE
Lakewood Hills	Does not meet certain loan criteria
Hurley	Does not meet certain loan criteria
Linn	Does not meet certain loan criteria
Rockaway Beach	Does not meet certain loan criteria

DEPARTMENT OF NATURAL RESOURCES--DRINKING WATER PORTION
WATER AND WASTEWATER REVOLVING LOAN FUND 0602 MONTHLY CASH FLOW

FISCAL YEAR 2005

PROJECTIONS

	<u>July</u>	<u>August</u>	<u>September</u>
Beginning Cash Balance	14,190,061.35	15,390,230.36	15,423,620.10
Receipts	1,187,305.44		
Disbursements			
Interest Earned	12,863.57	33,389.74	18,875.17
Ending Cash Balance	15,390,230.36	15,423,620.10	15,442,495.27

	<u>October</u>	<u>November</u>	<u>December</u>
Beginning Cash Balance	15,442,495.27	15,448,186.49	15,489,003.67
Receipts			
Disbursements			
Interest Earned	5,691.22	40,817.18	6,728.99
Ending Cash Balance	15,448,186.49	15,489,003.67	15,495,732.66

	<u>January</u>	<u>February</u>	<u>March</u>
Beginning Cash Balance	15,495,732.66	16,091,345.16	16,112,102.99
Receipts	575,623.00		
Disbursements			
Interest Earned	19,989.50	20,757.84	20,784.61
Ending Cash Balance	16,091,345.16	16,112,102.99	16,132,887.60

	<u>April</u>	<u>May</u>	<u>June</u>
Beginning Cash Balance	16,132,887.60	16,153,699.03	16,174,537.30
Receipts			
Disbursements			
Interest Earned	20,811.43	20,838.27	20,865.15
Ending Cash Balance	16,153,699.03	16,174,537.30	16,195,402.45

Projected Total Interest Earned	242,412.66
Projected Total Receipts	1,762,928.44
Projected Total Revenues	2,005,341.10
Projected Total disbursements	0.00

Assumptions:

Projected Monthly Interest Rate: FY05	0.129%
Previous Years Total Revenue	4,930,828.09
Projected Total Revenues	2,005,341.10
Projected Annual Expenses	0.00

PROJECTED INCREASES IN SRF AUTOMATED CLEARING HOUSE (ACH) SYSTEM PAYMENTS

PROJECTED													
		FEDERAL FISCAL YEAR 2004				FEDERAL FISCAL YEAR 2005				FEDERAL FISCAL YEAR 2006			
	AWARDS	QTR 1	QTR 2	QTR 3	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4
97 GRANT setasides project	\$ 5,682,976 \$ 16,174,624												
98 GRANT setasides project	\$ 1,531,984 \$ 8,042,916												
99 GRANT setasides project	\$ 1,605,664 \$ 8,429,736												
00 GRANT setasides project	\$ 1,668,752 \$ 8,760,948												
01 GRANT setasides project	\$ 1,675,664 \$ 8,797,236												
02 GRANT setasides project	\$ 3,627,806 \$ 8,074,794	906,952 2,018,699	906,952 2,018,699	906,951 2,018,698	906,951 2,018,698								
03 GRANT setasides project	\$ 2,388,645 \$ 9,245,055					597,162 2,311,264	597,161 2,311,264	597,161 2,311,264	597,161 2,311,263				
04 GRANT setasides project	\$ 2,534,028 \$ 9,532,772									633,507 2,383,193	633,507 2,383,193	633,507 2,383,193	633,507 2,383,193

Public Review Process

Overview

The final guidelines for the DWSRF requires states to include in their capitalization grant application a description of the public review process and how the state responded to major comments and concerns.

The department released the draft IUP for the DWSRF capitalization grants for FFY 2005 for public comment on, March 15, 2005. The draft IUP was mailed on, March 15, 2005, to loan applicants and their engineers, other funding agencies, interested parties, and the major water organizations. A public hearing was held on April 15, 2005, at 10:00 a.m. at the Truman State Office Building, 301 West High Street, Room 510, Jefferson City, Missouri.

The department received no comment during the public notice period. The Safe Drinking Water Commission on April 28, 2005 adopted the IUP.